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FEATURED Q&A

Can Latin America Do More to Control Money Laundering?



Panamanian Minister of Security Juan Manuel Pino (L) and acting U.S. Deputy Chief of Mission Ryan Rowlands (R) in August signed a deal to establish an anti-money laundering task force. // Photo: Panamanian Government.

Q The United States and Panama agreed Aug. 14 to establish a new task force to fight money laundering and corruption. The task force will be comprised of Panamanian prosecutors, law enforcement and regulatory officials who will receive training from the U.S. Federal Bureau of Investigation, or FBI. What are the biggest obstacles authorities face in fighting money laundering in Panama and elsewhere in Latin America and the Caribbean? What are the biggest priorities for the joint U.S.-Panama task force? To what extent has the United States aided countries in the region in fighting money laundering and corruption, and should U.S. involvement be increased?

A Aimeé Sentmat de Grimaldo, president of Banistmo in Panama City: "One of the biggest challenges authorities face in fighting money laundering in our countries is in developing adequate capabilities to understand complex money laundering networks, their operations and links to our countries and their financial systems. The Panamanian economic model is open to foreign investment and revenue streams, which has been very favorable to its economic development and growth, but also poses challenges related to making the country and its financial system vulnerable to laundering illicit money and revenue streams placed and integrated abroad. To the extent this economic model is central to the country's growth and development, and to the improvement of the well-being of its people, the task force should prioritize training and advisory efforts related to the country's money laundering vulnerabilities that are closely linked to

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Brazil's Nubank Raises \$300 Mn in Equity Investment

Five investors participated in Brazilian start-up Nubank's new funding, raising \$300 million.

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Remittances to Latin America Varied in First Half of the Year

Remittances to Colombia, El Salvador, Guatemala and Honduras declined, while money transfers were up for Mexico and the Dominican Republic.

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BANKING

Scotiabank Posts Profit Declines Due to Latin America Units

Scotiabank's profits were "significantly affected" by its Latin America operations, especially in its Peru and Colombia units, which are dominated by unsecured loans, said Ignacio Deschamps, the bank's head of international operations.

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Deschamps // File Photo: Scotiabank.

BANKING NEWS

Scotiabank Reports Profit Decline Due to Latin America Units

Toronto-based Bank of Nova Scotia, or Scotiabank, on Aug. 25 reported a decline in profit for its fiscal third quarter as profit fell from its Latin America division and provisions for bad loans rose, CBC News reported. Scotiabank said its profit fell to 1.30 billion Canadian dollars (\$1 billion), as compared to 1.98 billion Canadian dollars for the same period a year earlier. The bank added that its provisions for credit losses amounted to 2.18 billion Canadian dollars in the quarter, as compared to 1.85 billion Canadian dollars in the prior quarter and 713 million Canadian dollars in last year's fiscal third quarter. "We know that structural damage has been done to the economy. It's going to require a lot of quarters of clean up from here, but we do view this quarter's [provision for credit losses] as our high-water mark," Daniel Moore, the bank's chief risk officer, told analysts in a conference call, CBC News reported. "We see it decline substantially from here, and we're well provisioned on the balance sheet to cover our current estimate of future net write-offs." The bank was "significantly" affected by operations in its Latin American units, executives said. Scotiabank's international banking operations lost 28 million Canadian dollars in the quarter, as compared to a profit of 844 million Canadian dollars a year earlier. Units in Peru and Colombia, which present much of the risk in Scotiabank's Latin America operations, are dominated by unsecured loans, said Scotiabank's head of international operations, Ignacio Deschamps, Reuters reported. The late emergence of the novel coronavirus as compared to other parts of the world took a toll on Scotiabank's earnings in the most recent quarter, Deschamps added. "There is a lag effect, but we are already seeing clear signs that Pacific Alliance countries are in a recovering path and following the positive trend we're seeing in North America," he said, CBC News reported.

PAYMENTS NEWS

Santander's Chile Unit Launches New Digital Debit Card

Santander's Chile unit announced Aug. 25 that it had launched a new digital debit card, which will be available to all clients with a debit card linked to their account, simple debit account or electronic checkbook, as well as university accounts. The new digital card will allow them to shop and pay through the Internet and in mobile apps without the need of a physical card, the bank said, adding that the "current sanitary contingency" alongside social-distancing recommendations have spurred "a habit change in the way people do their transactions."

FINANCIAL TECHNOLOGY NEWS

Brazil's Nubank Raises \$300 Mn in Equity Investments

Brazilian financial technology start-up Nubank has raised \$300 million in equity investments, Reuters reported Aug. 27, citing a filing with the U.S. Securities and Exchange Commission. According to the document, five investors participated in the new funding, though the filing did not disclose their names. The document was filed with the regulator in June, but news of it did not surface until this week when a Brazilian financial blog reported on it, according to Reuters. Investors that have already put money into Nubank include TCV, Tencent Holdings, DST Global, Sequoia Capital, Dragoneer Ribbit Capital, Kaszek and Thrive Capital, the wire service reported. While credit cards usually carry fees in Brazil, Nubank offers them for free. The start-up reached 26 million clients in June, making it the South American country's second-largest issuer of credit cards. The largest is Itaú Unibanco, the country's top lender, according to a note by analysts at UBS.

NEWS BRIEFS

Brazilian Fintech Neon Pagamentos Raises \$300 Mn in Investment Round

Brazilian fintech Neon Pagamentos has secured a Series C investment of \$300 million, led by global growth equity General Atlantic, Neon said in a statement on Sept. 2. Among new participants in the round were funds and accounts managed by BlackRock, Vulcan Capital, PayPal Ventures and Endeavor Cataylst, as well as former investors Monashees and Flourish Ventures, the firm said. BBVA also participated in the round through shareholder Propel Venture Partners.

Austria-Based Tech Firm Paysafe Launches Service in Mexico

Austria-based financial technology firm Paysafe Group has launched its Paysafecash service in Mexico, the company announced Aug. 25. The service is intended for customers who do not want to share financial data over the Internet and those who do not have a bank account or credit card. The service will start in Mexico with 3,000 payment points.

JPMorgan Eyes Transfer of Brazil Private Banking Business to Bradesco

JPMorgan Chase & Co. has reached a deal with Brazil's Banco Bradesco to potentially transfer its private banking clients to the South American lender, Reuters reported Sept. 1, citing a document filed by Bradesco. JPMorgan has approximately 20 billion reais (\$3.71 billion) under management in its Brazilian private banking unit, a source told Reuters. Bradesco, Brazil's second-largest private lender, also said JPMorgan will still provide Brazilian clients with products and services abroad. Under the deal, clients have the option to migrate to the Brazilian bank, according to the report. JPMorgan declined to comment on the matter.

Nubank's credit card transactions grew 54 percent in the first half of this year, in contrast to declines at banks including Itaú, Banco Bradesco and Banco Santander Brasil. Nubank also had a "healthy" asset quality trend, said UBS analysts. Nubank in August posted its financial results for the first half of the year, saying it had a net loss of 95 million reais (\$17.3 million), Contxt reported. However, the firm said that it had more than doubled its customer base and that its loss was less than the 139 million reais it lost in the first half of 2019. Additionally, Nubank said its transactions volumes increased 54 percent in the first half, year-on-year. Nubank noted that its credit cards had a default rate of 5.8 percent, below Brazil's market average for the period. It also increased its provisions for bad loans by 16 percent in the first six months of the year, Contxt reported. In reporting the first-half results, Chief Financial Officer Marcelo Kopel said the loss was expected. "The loss is a decision, and therefore expected as part of the current growth strategy," he said in a recent company blog post. "We chose to invest in the company, people and the development of new technologies to continue delivering the best experience to our customers. This model is well known and used by technology companies."

REMITTANCES NEWS

Remittances to Latin America Varied Over Year's First Half: Pew

Money transfers to several Latin American nations varied during the first six months of the year, with lower remittances year-over-year to Colombia, El Salvador, Guatemala and Honduras, while they were up for Mexico and the Dominican Republic, according to an analysis of central bank data published by the Washington-based Pew Research Center on Aug. 31. Across the six nations included in the study, remittances totaled \$981.2 million in April, 17 percent lower as compared to the same month last year. El Salvador saw the sharpest decline

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the distinctive aspects of the Panamanian economic model, as this would have a positive impact on its sustainability. As for the aid and involvement of the United States in fighting money laundering and corruption, we believe international cooperation is a key feature for its effectiveness, and therefore should be sought, particularly with strategic and commercial partners, according to the Panamanian government's international relations policy."

Alexandra Wrage, president and founder of TRACE International: "This agreement between the United States and Panama reflects a broader commitment across U.S. agencies—including Justice, State and the Treasury—to provide training and to foster cross-border cooperation in the fight against transnational financial crime and corruption. Efforts to fight money laundering benefit from the exchange of best practices. For Latin America, a top priority is expanding enforcement capacity and expertise beyond the drug trade to include the proceeds of public corruption and tax evasion. As a shipping hub, Panama faces distinct challenges related to cash smuggling and the exploitation of free trade zones, while its business-friendly legal regime and confidentiality laws are susceptible to global abuse, as demonstrated by the Panama Papers revelations. At the same time, Latin American countries are generally less attractive as destinations for laundered money than major financial and real estate markets in the United States or the United Kingdom. Developing

in money transfers that month, registering a 40 percent drop as compared to April 2019. Remittances to Colombia during those four weeks were down 38.5 percent. Mexico experienced the smallest drop in remittances among the six countries in April, at just 2.6 percent, while in March, money transfers to Mexico hit a record monthly high of \$4 billion, up 35 percent from the previous year. The increase in March was

and maintaining a robust understanding of the interplay of money laundering mechanisms—placement, layering and integration—across these diverse jurisdictions is crucial to sustaining an effective coordinated

“ For Latin America, a top priority is expanding enforcement capacity and expertise beyond the drug trade...”

— Alexandra Wrage

response. Multinational companies and law enforcement authorities should be alert to how democratic backsliding and the continued circulation of extraordinary levels of illicit wealth can alter the political and regulatory environments that are meant to inhibit financial crime. The United States and Latin America have a great deal to learn from one another about confronting the challenges of money laundering and corruption."

Alexandra M. Solórzano, international trade specialist at Winston & Strawn: "Ever since the Panama Papers scandal occurred, Panama has been taking an active role in the fight against money laundering. One of the biggest steps the government has taken is making public its corporate registry. Other steps taken include the criminalization of various money laundering related activities such as tax fraud. However, these

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in part driven by a favorable exchange rate between the Mexican peso and the U.S. dollar, a rise in the number of individual remittance transactions and a higher average amount sent in each transaction, the Pew Research Center said in a statement. Mark Hugo Lopez, the center's director of Global Migration and Demography Research, said there likely wasn't a single explanation for the discrepancy among

the countries analyzed, the Associated Press reported. [Editor's note: See related [Q&A](#) in the Aug. 13-26 issue of the Financial Services Advisor.]

POLITICAL NEWS

Venezuela's Guaidó Reiterates Call for Boycott of Election

Venezuelan opposition leader Juan Guaidó, whom dozens of countries recognize as the country's legitimate interim president, on Sept. 7 announced a "unitary pact" with 37 political organizations calling for a boycott of the legislative election planned for December. Juan Pablo Guanipa, the first vice president of the opposition-controlled National Assembly and leader of the First Justice party, shared the pact on social media, outlining among its objectives "fighting for liberty, democracy and progress," prioritizing the humanitarian crisis and conducting free and fair presidential and parliamentary elections. It also calls for "deepening and escalating international pressure" on President Nicolás Maduro, though it did not provide further detail. Guaidó is urging citizens to boycott the December election amid concerns that Maduro's government will rig the vote in its favor. "Engaging in fraud and fostering disunity only collaborates with the dictatorship," Guaidó said in comments broadcast on social media. The four main opposition parties as well as 33 other parties and political organizations expressed support for the pact. The announcement came days after Henrique Capriles, an opposition leader who twice ran against Maduro and lost, called on Venezuelans to participate in the vote and opened talks with the government to work toward ensuring a fair election, Reuters reported. In related news, Venezuela's National Constituent Assembly, which is stacked with Maduro loyalists, will not draft a new constitution, the body's leader, Diosdado Cabello, said Sept. 6, Reuters reported. Several legislators had said the powerful Constituent Assembly was preparing to update

ADVISOR Q&A

Is Latin America Ready to Distribute a Covid-19 Vaccine?

Q Several countries in the region, including Chile, Colombia and Peru, have announced their participation in Phase 3 trials of potential vaccines against Covid-19 that are currently under development by international pharmaceutical companies. Meanwhile, Argentina and Mexico have said they will produce between 150 million and 250 million doses of a potential vaccine at no profit for distribution in the region. How are countries in Latin America and the Caribbean preparing for the eventual distribution of a Covid-19 vaccine? Are their preparations enough to ensure the vaccine reaches the region's most vulnerable populations? How will governments pay for access to and distribution of a vaccine once it becomes available?

A Alejandro Gaviria Uribe, president of Universidad de los Andes and former minister of health and social protection in Colombia: "Latin American countries have some of the best vaccination programs in the world. Most countries have eliminated some infectious diseases by means of sustained efforts in vaccinations. Measles, for example, was eliminated in 2016 after a 22-year effort involving mass vaccination. However, mass vaccination against Covid-19 will pose some formidable challenges—financial, operative and social. The planned rollout of Covid-19 vaccines will be of an unprecedented scale and complexity, and it will surpass all previous efforts by various orders of magnitude. In Colombia, for example, some government advisors have mentioned that 30 million people will be vaccinated (60 percent of the population). But fewer than two million people were

vaccinated annually during the previous decade. Three elements are crucial for the deployment strategy: the massive training of health workers, a large public communication campaign and a centralized coordinating office. This will take time. Capabilities are not created overnight. Most countries in the region have put all efforts in ensuring the availability of the vaccine. Planning has not

“The planned rollout of Covid-19 vaccines will be of an unprecedented scale and complexity...”

— Alejandro Gaviria Uribe

been a priority. There is still much uncertainty about the complexities and possible pitfalls of an unprecedented logistic effort. Given the logistic complexities, as well as the possible safety and efficacy problems of the initial vaccines, countries should be cautious about vaccination targets. It is not realistic to estimate that hundreds of millions of people will be vaccinated during the next two years. It probably won't be easy, either. Public health consequences are uncertain, prices are too high and confidence in governments and science are at stake. Latin America should learn from its own experience: successful vaccination efforts require planning, time and robust state capabilities.”

EDITOR'S NOTE: More commentary on this topic appears in the Sept. 8 issue of the *Latin America Advisor*.

NEWS BRIEFS

Two Women Drop Sexual Abuse Complaints Against Costa Rica's Arias

Two women have dropped sexual abuse complaints against former Costa Rican President Óscar Arias, who led the country from 1986 to 1990 and again from 2006 to 2010, the Associated Press reported. The prosecutor's office said Sept. 7 that "the two victims decided not to continue the criminal process," which means a court could drop the charges against Arias. There was no immediate explanation for the decision. Arias denied the first accusation when it surfaced last year.

Argentina May Open Borders to International Flights in October: Report

Argentina could reopen its borders to international commercial flights in October, Reuters reported Sept. 4, citing a transportation ministry source. "The president has the final decision," the person said. Transportation Minister Mario Meoni said a day earlier that the Health Ministry approved new airport protocols for international travel, a requirement before the lifting of a strict travel ban that was due to expire on Sept. 1. Argentina prohibited all commercial airline flights into the country since April to try to curb the spread of Covid-19.

Colombian Regulators Order Google to Ask to Use Personal Data

Colombian regulators on Sept. 4 ordered Google to clearly ask users for permission to use their personal data, Reuters reported. If Google does not comply with the order, it faces investigations, sanctions and fines, the country's Superintendency of Industry and Commerce said in a statement. Google's Colombia office said it respected the country's laws and would evaluate the order when it receives formal notification of it.

the 1999 constitution. The Constituent Assembly has functioned as a body parallel to the National Assembly since its creation in a 2017 special election that led to international sanctions against the Maduro government. [Editor's note: See related [Q&A](#) in the Aug. 21 issue of the daily Latin America Advisor.]

Bolivian Court Rules Morales Cannot Run for Senate Seat

A Bolivian court ruled on Sept. 7 that former president Evo Morales cannot run for a seat in the country's Senate, upholding a decision that the country's electoral tribunal made in February, Reuters reported. Morales, who was Bolivia's president for 14 years, stepped down last November amid widespread protests over the country's disputed election. He now lives in exile in Argentina. In ruling against Morales' attempt to run for Senate in this October's elec-

Judge Alfredo Jaimes told local media that Morales does not meet the residency requirements to run for a seat in the Senate.

tion, Judge Alfredo Jaimes told local media that Morales does not meet the residency requirements. The decision cannot be appealed, Reuters reported. "They denied protection to Evo Morales; democracy won," said attorney Williams Barscope, a member of the judicial team who examined the constitutional protections that Morales' lawyers presented, Agence France-Presse reported. "Evo Morales cannot be a candidate for senator because he lives in Argentina." On Sept. 7, Morales called the ruling an "illegal and unconstitutional political decision" that was made under "threats and pressure." He added, "History shows that they will be able to disable Evo, but they will not be able to outlaw the people." However, Morales also tweeted, "We will abide by that decision

because our commitment and priority is for the people to come out of the crisis. We will not fall into any provocation, the people will once again govern themselves, peacefully and democratically." [Editor's note: See related [Q&A](#) in the Aug. 31 issue of the daily Latin America Advisor.]

ECONOMIC NEWS

Costa Rica's Chinchilla Drops Bid to Lead IDB

Former Costa Rican President Laura Chinchilla on Sept. 3 withdrew her candidacy to be the next leader of the Inter-American Development Bank. In a letter to Costa Rican President Carlos Alvarado, which Chinchilla posted on her Twitter page, she said she found fault with the process of selecting the institution's next leader. "To continue forward with our national aspiration would amount to endorsing a process that I do not consider practical for the IDB or for the hemisphere in the present conditions," Chinchilla wrote, adding that a factor in her decision was the "abrupt change in the rules that since the creation of the IDB have regulated the process of presenting and selecting candidates." She noted that since the bank's creation, a Latin American or Caribbean citizen has always occupied the IDB's presidency. "However, the government of the United States of America decided to alter this norm that was in force for 60 years, without prior consultation processes or institutional agreements and presented its own candidate." The U.S. nomination of Mauricio Claver-Carone, a U.S. citizen, earlier this year to head the IDB has been controversial as he would be the first person from outside Latin America and the Caribbean to lead the institution. The vote is scheduled for Sept. 12, though several countries, including Costa Rica, Argentina, Mexico and Chile, as well as European Union foreign policy chief Josep Borrell, have called for the vote to be delayed, Reuters reported.

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steps are not enough to stop criminals from abusing the country's financial systems. Sadly, a large obstacle authorities face in Latin America is the lack of proper training in money laundering and criminal typologies. This challenge places authorities in a reactive position instead of in a proactive stance. Another challenge is the lack of regional cooperation. While many countries have taken bold regulatory steps, the absence of proper communication channels and ongoing communication prevents countries from stopping a criminal before he is able to enter the financial system. With organized crime gaining a stronger foothold in the region, this new task force is a great first step. The training from the FBI will help lay the founda-

tions for proper investigations and identify any potential gaps the system may have. Nevertheless, the Latin American countries that are committed to maintaining strong, healthy and crime-free economies will need to work together and establish networks of cooperation with the least amount of red tape to ensure fast and efficient actions. These networks should be independent from any politics and should have the clear objective of preventing, identifying and stopping any kind of criminally derived proceeds and actors from entering the system."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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OAS

Luis Carranza
President, CAF – Develop-
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Carissa F. Etienne
Director,
PAHO

Angel Melguizo
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